

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 30 June 2019

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Period Quarter Ended 30.06.2019	Preceding Year Corresponding Quarter 30.06.2018	Current Period To Date 30.06.2019	Preceding Year Corresponding Period 30.06.2018
	RM '000	RM '000	RM '000	RM '000
Revenue	31,787	27,099	84,322	74,358
Operating Expenses	(28,637)	(23,432)	(76,051)	(65,930)
	<u>3,150</u>	<u>3,667</u>	<u>8,271</u>	<u>8,428</u>
Other Operating Income	1,733	1,339	6,105	6,474
Administrative Expenses	(3,149)	(2,852)	(7,820)	(6,401)
Other Expenses	(313)	(482)	(2,477)	(2,610)
Finance Cost	(1,079)	(1,495)	(3,510)	(4,598)
Profit/ (Loss) before taxation	<u>342</u>	<u>177</u>	<u>569</u>	<u>1,293</u>
Taxation	(61)	148	547	878
Profit/ (Loss) for the period	<u>281</u>	<u>325</u>	<u>1,116</u>	<u>2,171</u>
Other comprehensive income:				
Currency translation differences	767	1,589	(67)	(2,565)
Total Comprehensive income for the period	<u>1,048</u>	<u>1,914</u>	<u>1,049</u>	<u>(394)</u>
Profit/ (Loss) attributable to:				
Shareholders of the parent	(397)	325	438	2,171
Non-controlling interests	678	-	678	-
Profit/ (Loss) for the period	<u>281</u>	<u>325</u>	<u>1,116</u>	<u>2,171</u>
Total comprehensive income attributable to:				
Shareholders of the parent	370	1,914	371	(394)
Non-controlling interests	678	-	678	-
Total Comprehensive income for the period	<u>1,048</u>	<u>1,914</u>	<u>1,049</u>	<u>(394)</u>
Earnings per share attributable to shareholders of the parent (sen)				
Basic	(0.01)	0.01	0.01	0.10

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2018)

HUBLINE BERHAD
(Company No:23568-H)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	UNAUDITED AS AT 30.06.2019	AUDITED AS AT 30.09.2018
	RM'000	RM'000
ASSETS		
Non Current Assets		
Property, Plant and Equipment	201,485	175,477
Intangible assets	21,225	15,207
Trade and Other receivables	31,943	34,642
Deferred tax assets	1,819	1,654
	<u>256,472</u>	<u>226,980</u>
Current Assets		
Inventories	7,247	7,285
Trade and Other receivables	25,208	21,523
Tax recoverable	1,052	888
Cash and cash equivalents	29,239	8,468
	<u>62,746</u>	<u>38,164</u>
TOTAL ASSETS	<u>319,218</u>	<u>265,144</u>
EQUITY AND LIABILITIES		
Share capital	219,347	164,958
Treasury shares	(4,192)	(4,192)
Reserves	(26,688)	(27,058)
Total equity attributable to shareholders of the parent	<u>188,467</u>	<u>133,708</u>
Non-controlling interests	827	-
Total equity	<u>189,294</u>	<u>133,708</u>
Non-current liabilities		
Long term borrowings	31,439	48,551
Trade & Other payables	-	310
Deferred tax liabilities	9,944	9,907
	<u>41,383</u>	<u>58,768</u>
Current Liabilities		
Short term borrowings	49,426	46,000
Trade & Other payables	38,197	26,583
Taxation	918	85
	<u>88,541</u>	<u>72,668</u>
Total liabilities	<u>129,924</u>	<u>131,436</u>
TOTAL EQUITY AND LIABILITIES	<u>319,218</u>	<u>265,144</u>
Net assets per share (RM)	0.05	0.06

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 September 2018)

HUBLINE BERHAD
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This is a quarterly report on consolidated results for the financial quarter ended 30 June 2019

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019**

	9 MONTHS ENDED 30.06.2019 RM'000	9 MONTHS ENDED 30.06.2018 RM'000
Profit/ (Loss) before taxation	569	1,293
Adjustments for :-		
Non-operating items	11,586	9,094
Interest expenses	3,510	4,598
Interest income	(337)	(437)
Operating profit before working capital changes	<u>15,328</u>	<u>14,548</u>
Net change in current assets	(4,330)	1,428
Net change in current liabilities	28,349	(16,410)
Tax (paid)/ refunded	(278)	(664)
Interest paid	(3,510)	(4,598)
Net cash generated from/ (used in) operating activities	<u>35,559</u>	<u>(5,696)</u>
Investing activities		
Acquisition of subsidiary	(6,633)	-
Purchase of property, plant and equipment	(41,487)	(20,507)
Proceeds from sales of property, plant and equipment	75	4,270
Interest received	337	437
Contribution/Distribution of non-controlling interests	678	-
Net cash (used in)/generated from investing activities	<u>(47,030)</u>	<u>(15,800)</u>
Financing activities		
Repayment of bank borrowings	(21,266)	(27,315)
Proceeds from capital raising exercises	54,438	58,688
Expenses relating to capital raising	(1,628)	(1,721)
Net cash generated from/ (used in) financing activities	<u>31,544</u>	<u>29,652</u>
Net changes in cash and cash equivalents	20,073	8,156
Cash and cash equivalents at beginning of financial period	8,468	11,156
Effects of Exchange Rate Changes	698	(2,966)
Cash and cash equivalents at end of the financial period	<u>29,239</u>	<u>16,346</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2018)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	< ----- Attributable to Shareholders of the Parent ----- >							
	Share capital	Warrant reserve	Treasury shares	Translation reserves	Capital reserves	Retained Profit	Non-Controlling interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 MONTHS ENDED 30 JUN 2018								
At 1 October 2017	99,070	90,693	(4,192)	(14,533)	(57,410)	(39,272)	-	74,356
Conversion of RCN	44,200				(1,215)		-	42,985
Private Placement	21,688						-	21,688
Total comprehensive income for the period				(2,565)		2,171	-	(394)
At 30 June 2018	164,958	90,693	(4,192)	(17,098)	(58,625)	(37,101)	-	138,635
9 MONTHS ENDED 30 JUN 2019								
At 1 October 2018	164,958	90,693	(4,192)	(15,326)	(58,625)	(43,801)	-	133,707
Rights Issue	52,439						-	52,439
Conversion of RCN	1,950						-	1,950
Non Controlling Interests on acquisition							149	149
Total comprehensive income for the period				(67)		438	678	1,049
At 30 June 2019	219,347	90,693	(4,192)	(15,393)	(58,625)	(43,363)	827	189,294

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2018)

NOTES TO THE INTERIM FINANCIAL REPORT – FRS 134

A1. Basis of preparation

The Interim Financial Report of the Group are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board, and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. These condensed consolidated interim financial statements should be read in conjunction with the annual audited financial statements of Hubline Berhad and its subsidiaries for the financial year ended 30 September 2018.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the year ended 30 September 2018.

A2. Auditors' report on preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the year ended 30 September 2018 was not qualified.

A3. Seasonality or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4. Material and unusual items

There were no exceptional items in the quarterly financial statement under review.

A5. Changes in estimates

There were no changes in the estimates of amounts, which give a material effect in the current interim period.

A6. Debts and equity securities

There were no issuances, cancellations, repurchases, resale of debts and equity securities during the financial period under review.

A7. Dividend

No dividends have been declared or paid for the current financial period to date.

A8. Segmental Information

	Shipping & Related Activities RM'000	Aviation & Related Activities RM'000	HQ & Related Overheads RM'000	Discontinued Operations RM'000	Group RM'000
Revenue					
External sales	78,022	6,300	-	-	84,322
Total revenue	78,022	6,300	-	-	84,322
Results					
Gross profit	6,386	1,934	(49)	-	8,271
Interest & other income	5,742	-	326	37	6,105
Administrative costs	(3,731)	(720)	(2,729)	(640)	(7,820)
Finance cost	(579)	(55)	-	(2,876)	(3,510)
Other expenses	-	-	(1,628)	(849)	(2,477)
Segment profit before taxation	7,818	1,159	(4,080)	(4,328)	569

A9. Profit before tax

The following items have been included in arriving at profit/loss before tax:

	INDIVIDUAL QUARTER		CUMULATIVE	
	3 Months Ended 30.06.2019 RM '000	3 Months Ended 30.06.2018 RM '000	9 Months Ended 30.06.2019 RM '000	9 Months Ended 30.06.2018 RM '000
Interest income	54	133	337	437
Other income	1,679	1,206	5,768	4,258
Foreign exchange gains/(losses) (net)	(221)	(979)	(56)	1,779
Depreciation and amortisation	(3,864)	(2,878)	(9,962)	(9,146)
Capital raising expenses	-	(216)	(1,628)	(1,721)

A10. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the most recent annual audited financial statements.

A11. Subsequent material events

There were no material events subsequent to the end of the current quarter up to the date of this report.

A12. Changes in composition of the Company

There was no change in the composition of the Group during the current quarter under review other than the completion of the acquisition of Layang Layang Aerospace Sdn Bhd (“LLA”) on 15 May 2019. Subsequent to this completion, on 14 June 2019, LLA incorporated a wholly owned subsidiary, Layang Layang Oil & Gas Sdn Bhd with a paid up capital of RM 100.

A13. Changes in contingent liabilities or contingent assets

The contingent liabilities of the Company are as follows:

Corporate Guarantees given to financial institutions and third parties for credit facilities provided to subsidiaries	RM'000
	<u>11,350</u>

A14. Capital Commitment

	RM
Amount approved and committed	13.30 million
Amount approved and not committed	<u>NIL</u>
Total	<u>13.30 million</u>

A15. Related Party Transactions

	3 Months Ended 30 June 2019 RM'000	3 Months Ended 30 June 2018 RM'000	9 Months Ended 30 June 2019 RM'000	9 Months Ended 30 June 2018 RM'000
A Company in which a director is also the key management personnel				
Rental of premises	129	134	387	387

B EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

	INDIVIDUAL QUARTER			CUMULATIVE		
	3 Months Ended 30.06.2019 RM '000	3 Months Ended 30.06.2018 RM '000	Changes Amount RM '000	9 Months Ended 30.06.2019 RM '000	9 Months Ended 30.06.2018 RM '000	Changes Amount RM '000
Revenue	31,787	27,099	4,688	84,322	74,358	9,964
Operating Profit	3,150	3,667	(517)	8,271	8,428	(157)
Profit / (Loss) before Interest, Tax, Depreciation, and Amortisation (EBITDA)	5,330	4,549	781	14,085	15,037	(952)
Profit/(Loss) Before Tax	342	177	165	569	1,293	(724)
Profit/(Loss) After Tax	281	325	(44)	1,116	2,171	(1,055)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(397)	325	(722)	438	2,171	(1,733)

- Group revenue for the quarter ended 30 June 2019 was RM 31.79 million which was higher when compared to the corresponding period of the previous year where revenue for that quarter was RM 27.10 million. The current quarter includes RM 6.3 million contributed by the aviation segment which the Group settled on 15 May 2019. The revenue contributed by the shipping segment for the quarter had decreased from RM 27.1 million to RM 25.5 million mainly because in the June 2018 quarter, the Group had undertaken additional shipments via voyage charters which the Group did not undertake in the current quarter. As a result, the number of voyages undertaken in the current quarter had decreased to 52 from 58 voyages undertaken in the June 2018 quarter.
- For the year to date, Group revenue had increased by RM 9.96 million as compared to the same period in the preceding year. Of this increase, the aviation segment contributed RM 6.30 million since settlement on 15 May 2019. The revenue contributed by the shipping segment for the year to date has increased by RM 3.66 million compared to the same period last year, mainly due to slight improvement in freight rates.
- The Group's EBITDA for the current quarter was RM 5.33 million compared to RM 4.55 million in the same quarter last year. The aviation segment has contributed RM 1.79 million to EBITDA. When comparing EBITDA with the same period last year, the EBITDA for the shipping segment had fallen from RM 15.0 million to RM 12.5 million due to increased cost of sales such as bunker costs, port charges and insurance premiums.

B2. Comparison with preceding quarter's results

	Current Year Quarter 30.06.2019 RM '000	Immediate Preceding Quarter 31.03.2019 RM '000	Changes Amount RM '000
Revenue	31,787	24,552	7,235
Operating Profit	3,150	2,309	841

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Profit/ (Losses) before Interest, Tax, Depreciation, and Amortisation (EBITDA)	5,330	4,381	949
Profit/(Loss) Before Tax	342	138	204
Profit/(Loss) After Tax	281	452	(171)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(397)	452	(849)

- The Group revenue in the current quarter was RM 31.79 million which was higher than the previous quarter of RM 24.55 million. The aviation segment contributed RM 6.3 million to revenue during the current quarter. The shipping segment contributed RM 25.49 million which was higher than in the previous quarter of RM 24.55 million despite undertaking two shipments less in the current quarter as compared with the preceding quarter.
- EBITDA improved during the current quarter from RM 4.38 million to RM 5.33 million. The aviation segment has contributed positively to the EBITDA in the current quarter.

B3. Commentary on Prospects

The shipping segment has continued to perform satisfactorily. The Board continues to be confident that we are able to maintain market share in the dry bulk business and are optimistic about our performance going forward.

In the short time since acquiring 51% in Layang Layang Aerospace Sdn Bhd (“LLA”), the Group has been able to enjoy the benefits from an expanded revenue stream and participate in the profits from the Company. The Board realises that the investment in LLA provides potential expansion opportunities especially in the flying academy as well as Flying Doctor and Emergency Medical Air Evacuation services, general air charter, and oil and gas sectors. The Group is confident that LLA will have a positive contribution to the Group.

B4. Variance of actual profit from forecast profit and shortfall in profit guarantee

Not applicable as the Group did not issue any profit forecast and /or profit guarantee for the quarter.

B5. Taxation

	3 Months Ended 30 June 2019 RM'000	3 Months Ended 30 June 2018 RM'000	9 Months Ended 30 June 2019 RM'000	9 Months Ended 30 June 2018 RM'000
Income tax charge				
- current period	(456)	(78)	(579)	(236)
Deferred taxation	395	226	1,126	1,114
	<u>(61)</u>	<u>148</u>	<u>547</u>	<u>878</u>

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Certain subsidiaries of the Group enjoy tax exemptions from the relevant authorities on their business income for current and future periods. The computation of deferred tax as at the current period has reflected the effects of such exemptions.

B6. Sales of unquoted investment and/or properties

There are no sales of unquoted investment and/or properties during the current quarter and financial year to date.

B7. Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities during the current quarter.

B8. Status of corporate proposals

Save for the following, there were no other corporate proposals announced by the Company but not completed as at 20 August 2019, being the latest practical date, which is not earlier than 7 days from the date of issue of this report.

(i) Rights Issue

At the Extraordinary General Meeting (“EGM”) held on 23 October 2018, shareholders passed the resolution for the proposed rights issue with warrants and the proposed issuance of redeemable convertible notes with an aggregate principal of up to RM 200.0 million.

The Rights Issue was successfully completed on 21 December 2018 with full subscription, raising a total RM 52.438 million for the Group.

As at 20 August 2019, utilisation of proceeds from the Rights Issue is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount %	Explanations (if deviation is 5% or more)
(i) Repayment of borrowings	20,000	22,433	Within 12 months from receipt of funds	4.64	N/A
(ii) Capital expenditure (acquisition of barges)	20,000	10,327	Within 12 months from receipt of funds	Note A	Note A
(iii) Working capital	11,300	11,300	Within 12 months from receipt of funds	-	N/A
(iv) Estimated expenses in relation to Rights Issue	1,138	1,138	Within 1 month from receipt of funds	-	N/A
TOTAL	52,438	45,198			

Note A: The Group expects to utilise the funds raised within 12 months from receipt within the proposed utilisation range. The Group does not expect any material deviation as at the date of this quarterly report

(ii) Redeemable Convertible Notes program (“RCN”)

The RCN Program which was approved at the EGM held on 23 October 2018 had all conditions precedent to the Subscription Agreement satisfied by 14 January 2019 and the drawdown for sub-tranche 1 of Tranche 1 amounting to RM 2.0 million was received on 18 January 2019. There were no RCNs issued during the quarter under review.

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As at 20 August 2019, the status of the utilisation of the gross proceeds received from the RCN is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount %	Explanations (if deviation is 5% or more)
(i) Repayment of borrowings	70,000	708	Within 3 years of drawdown	Note B	Note B
(ii) Capital expenditure (acquisition of tugs, barges and vessels)	95,000	-	Within 5 years of drawdown	Note B	Note B
(iii) Working capital	25,000	624	Within 5 years of drawdown	Note B	Note B
(iv) Estimated expenses in relation to RCN	10,000	668	Within 1 month of drawdown	Note B	Note B
TOTAL	200,000	2,000			

Note B: The RCN program is a 5 year programme that covers up to the period ended 18 February 2024. While not all proceeds have been dispersed, the Group expects it to be utilised within the timeframe provided. Actual Utilisation disclosed above is within the proposed utilisation range for the full RCN issued of RM 2.0 million and the Group does not expect any material deviation as at the date of this quarterly report.

B9. Group borrowings and debt securities

	As at 30 June 2019					
	Short term		Long term		Total borrowings	
	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)
Overdraft		5,947				5,947
Invoice Financing		9,850				9,850
Revolving Credit		10,000				10,000
Term Loan	14,195	9,236	4,804	26,363	18,999	35,599
Hire Purchase		198		222		420
RCN				50		50
Total	14,195	35,231	4,804	26,635	18,999	61,866
Grand Total		49,426		31,439		80,865

^ Loan is denominated in USD. As at 30 June 2019, the total balance outstanding was USD 4.596 million. Exchange rate used to convert to RM was 4.1335.

	As at 30 June 2018					
	Short term		Long term		Total borrowings	
Secured	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)
Invoice Financing		15,852		-		15,852
Revolving Credit		375		-		375
Term Loan	13,563	16,000	18,559	34,457	32,122	50,457
Hire Purchase		148		133		281
Total	13,563	32,375	18,559	34,590	32,122	66,965
Grand Total		45,938		53,149		99,087

[^] Loan is denominated in USD. As at 30 June 2018, the total balance outstanding was USD 7.956 million. Exchange rate used to convert to RM was 4.0375.

Borrowings reduced by RM 18.2 million from RM 99.1 million on 30 June 2018 compared to RM 80.9 million this quarter. This is despite including LLA's borrowings of RM 7.9 million. Excluding this, the total borrowings would have reduced by RM 26.1 million instead of RM 18.2 million in the last 12 months. The approximate net annual interest savings as a result of the repayment of loans is RM 1.6 million.

The average weighted interest rate of borrowings for the Group is 6.03% per annum.

The Group's foreign currency debt is denominated in USD and is not hedged to RM. Our view is that while we are exposed to some foreign currency volatility in the short term, the impact is not significant in the long term, especially where our Group does earn revenue in the same currency. Furthermore, hedging is costly and can introduce unwanted leverage to the Group.

The exchange rate used to convert USD borrowings is based on the 5pm USD exchange rate on the last business day of the quarter as announced by Bank Negara Malaysia and the current quarter's exchange rate has been quoted above.

B10. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk at the date of this quarterly report.

B11. Derivatives

There were no derivatives entered into by the Group as at the end of the quarter under review.

B12. Gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from the fair value changes of financial liabilities.

B13. Material litigation

As at the date of this report, Hubline and its subsidiaries, are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and do not know of any proceedings pending or threatened or of any fact which may materially affect their income from, title to or possession of any of their assets and /or businesses.

B14. Dividend declared

The Directors do not recommend any dividend for the quarter under review.

B15. Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the net profit for the quarter/year by the weighted average number of ordinary shares in issue.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30.06.2019	Quarter Ended 30.06.2018	Year to Date ended 30.06.2019	Year to Date ended 30.06.2018
Net profit / (loss) attributable to equity holders of the parent (RM'000)	(397)	325	438	2,171
Weighted average no. of ordinary shares ('000)	3,818,350	2,362,094	3,503,411	2,240,546
Basic earnings per share attributable to equity holders of the parent (sen)	(0.01)	0.01	0.01	0.10

(b) Diluted

The diluted earnings per share are not shown as the effect of the warrants on the basic earnings per share is anti-dilutive.

B16. Authority for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 August 2019.